

Message Text

SECRET

PAGE 01 TEHRAN 12465 291140Z

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ACTION NODS-00

INFO OCT-01 ISO-00 /001 W

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 4903

S E C R E T TEHRAN 12465

NODIS/CHEROKEE

FOR UNDER SECRETARY ROBINSON FROM AMBASSADOR

E.O.11652: GDS

TAGS: ENRG, IR

SUBJ: BILATERAL OIL AGREEMENT

REF: STATE 303084

FOLLOWING IS A RESPONSE FROM HUSHANG ANSARY TO YOUR MESSAGE
(REFTEL) WHICH WAS CONVEYED TO HIM DECEMBER 26: QUOTE

1. YOU MENTIONED IN LONDON THAT THIS TRANSACTION WILL REPLACE
DEFENSE DEPARTMENT'S REGULAR PURCHASES FOR ARMED FORCES' USE,
ALMOST ALL OF WHICH, YOU HAVE ME TO UNDERSTAND, ARE MADE FROM
A SOURCE OTHER THAN IRAN. (PARAGRAPH) THIS, YOU SAID, WAS THE
REASON WHY YOU DID NOT REQUIRE SPECIAL APPROPRIATIONS AND
WOULD NEED ONLY TO MAKE AN INFORMATIONAL REPORTING TO CONGRESS.
(PARAGRAPH) YOU FELT ALSO THAT THE AGREEMENT MAY UPSET DEFENSE
DEPARTMENT'S OTHER SOURCES OF SUPPLY, AND THAT, THEREFORE, THE
TRANSACTION HAD TO BE MADE AS ATTRACTIVE AS POSSIBLE IN ORDER
TO JUSTIFY THE SWITCH. (PARAGRAPH) IF, AS I NOW UNDER-
STAND FROM YOUR MESSAGE, THE DEFENSE DEPARTMENT HAS IN
MIND TO CONTINUE ITS REGULAR PROCUREMENT OF OIL AND
SIMPLY MAKE OURS AN ADDITIONAL TRANSACTION FOR RESALE
PURPOSES, THIS WILL, AMONG OTHER THINGS, VIOLATE OUR
REQUIREMENT THAT THE ARRANGEMENT SHOULD NOT IN ANY WAY
ERODE OUR USUAL LEVEL OF EXPORTS TO THE U.S. (PARAGRAPH)
IF THIS ASSUMPTION IS CORRECT, IT WILL ALSO MEAN THAT THE

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DEFENSE DEPARTMENT INTENDS TO CONTINUE ITS REGULAR PRO-

CUREMENTS FROM A SOURCE WHICH IS NOT IN NEED OF THE
ADDITIONAL REVENUE RATHER THAN FROM IRAN WHICH WILL USE
IT TO MEET HER REQUIREMENTS FROM THE U.S.

2. YOU ASK IF A PROPOSAL INCLUDING THE APPROPRIATION
FEATURE TO THE CONGRESS IS FEASIBLE FROM OUR VIEWPOINT.
AS WE GATHER FROM YOUR MESSAGE THAT THERE ARE STILL
QUESTIONS TO BE RESOLVED ON YOUR SIDE REGARDING SOME
ASPECTS OF OUR VERBAL AGREEMENT IN LONDON, WE FEEL THAT
WE SHOULD DEFER A REPLY TO THIS QUESTION UNTIL WE HAVE
RECEIVED YOUR CONFIRMATION TO THE EFFECT THAT, AS YOU
FELT IN LONDON, ALL ASPECTS OF THE AGREEMENT ARE IN FACT
FEASIBLE ON YOUR SIDE. MEANWHILE, WE WOULD APPRECIATE
IF YOU COULD ELABORATE ON THE QUESTION OF THE REQUEST TO
THE CONGRESS AND WHAT IN FACT IT ENTAILS.

3. I REGRET TO HAVE TO MENTION THAT FAILURE TO CONCLUDE
THIS AGREEMENT, AS INDEED ANY SHORTFALL IN THE OFFTAKE
FROM IRAN BY THE CONSORTIUM IN WHICH AMERICAN COMPANIES
HAVE A BRP PERCENT SHARE, WILL SO ADVERSELY AFFECT OUR
FINANCIAL CAPABILITIES AS TO COMPLETELY SHATTER THE BASIS
OF THE \$15 BILLION PROTOCOL (NOW ESTIMATED TO REACH \$25
BILLION) SIGNED IN WASHINGTON ON THE OCCASION OF THE
SECOND SESSION OF OUR JOINT MINISTERIAL COMMISSION.
END QUOTE.

HELMS

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NNN

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